

Message Text

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ACTION EUR-12

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FM AMEMBASSY PARIS

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INFO USMISSION EC BRUSSELS

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, PINT, FR

SUBJECT: PRESIDENT GISCARD'S JANUARY

"FIRESIDE CHAT" STRESSES ECONOMIC QUESTIONS

1. SUMMARY. GISCARD'S TELEVISED "FIRESIDE CHAT" JANUARY 23 WAS A SHREWD IF CONTRIVED PERFORMANCE WHICH MANAGED TO REASSURE FRENCHMEN ABOUT THEIR COUNTRY'S ECONOMY WHILE SKIRTING THE POTENTIALLY EXPLOSIVE PROBLEM OF UNEMPLOYMENT. HIS SERENELY OPTIMISTIC TONE PLAYED DOWN THE FACT THAT HIS ONLY REALLY NEW ECONOMIC PREDICTION CALLS FOR A SLIGHTLY REDUCED REAL GROWTH RATE FOR 1975 -
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3 TO 4 PERCENT, INSTEAD OF THE 4 - 4.2 PERCENT CON-

SISTENTLY PREDICTED UP TO NOW BY GOF.

2. PRESIDENT GISCARD'S TELEVISED "FIRESIDE CHAT" OF JANUARY 23 WAS DESIGNED PRIMARILY TO REASSURE FRENCHMEN ABOUT THE COUNTRY'S ECONOMY AND ANSWER SOME QUESTIONS THEY WERE PRESUMED TO HAVE ABOUT CURRENT ECONOMIC DEVELOPMENTS. THE ONLY SIGNIFICANT NEWS PROVIDED, HOWEVER, WAS IN A LESS OPTIMISTIC DIRECTION. WHILE GOF (MAINLY THROUGH FINANCE MINISTER FOURCADE) HAS THUS FAR CONSISTENTLY PREDICTED 1975 RATE OF REAL GROWTH AT 4 OR 4.2 PERCENT, GISCARD SHADED THIS DOWN TO "3 OR 4 PERCENT." PERSONAL CONSUMPTION WOULD RISE BY OVER 4 PERCENT, HE NOTED.

3. A SIGNIFICANT PORTION OF THE SPEECH CONSISTED OF EXPLANATIONS OF RECENT GOVERNMENT ACTIONS.

A. GOVERNMENT LOANS TO FACILITATE PEUGEOT-CITROEN AND RENAULT-BERLIET MERGERS WERE DEFENDED IN TWO WAYS. APPARENTLY TO ANSWER CHARGE THAT PEUGEOT LOAN WAS "GIFT" TO PRIVATE ENTERPRISE, GISCARD COMPARED 9.75 RATE WITH 4-7 PERCENT RATES ON LOANS TO FARMERS AND TO RATE ON EXPORT CREDITS TO SOVIET UNION, WHICH WAS, FOR FIRST TIME, REVEALED AS 7.55 PERCENT. HE DISMISSED ALTERNATIVE OF NATIONALIZATION OF CITROEN BY NOTING THAT,

I) IT WOULD HAVE COST TAXPAYERS SOME 1.7 BILLION FRANCS;

II) RESULTING LINK WITH ALREADY NATIONALIZED RENAULT WOULD FORCE REMAINING PRODUCER, PEUGEOT, EITHER "TO FALL UNDER FOREIGN INFLUENCE" OR JOIN OTHERS IN SINGLE NATIONAL COMPANY AND HENCE DESTROY COMPETITION "WHICH IS THE BASIS OF PROGRESS IN OUR AUTOMOBILE INDUSTRY."

B. REVALUATION OF FRENCH GOLD RESERVES WAS EXPLAINED AS "SIMPLY GIVING AN UP-TO-DATE VALUATION TO FRANCE'S ASSETS." IN AN ARGUMENT WHICH SEEMED MORE PSYCHOLOGICAL THAN ECONOMIC, GISCARD EXPLAINED THAT SUCH A REVALUATION WOULD ENABLE FRANCE TO CONTINUE TO SUPPORT PAYMENTS DEFICITS FOR SOME TIME, RATHER THAN LIMITED OFFICIAL USE

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HAVE TO RESORT TO EXCESSIVELY RESTRICTIVE DEFLATIONIST POLICIES TO QUICKLY RESTORE EQUILIBRIUM. HE NOTED COMPLETE STERILIZATION OF FRANC COUNTERPART OF INCREASE IN VALUE OF FRENCH RESERVES WOULD OBIVATE ANY INFLATIONARY INCREASE IN FRANCE'S MONEY SUPPLY.

C. WHILE THERE WOULD AGAIN BE DEFICITS THIS YEAR, DECEMBER 1974 TRADE SURPLUS SHOWED THAT GOAL

ANNOUNCED LAST SUMMER OF RESTORING TRADE TO AN EQUILIBRIUM SITUATION BY END OF 1975 WAS POSSIBLE. HE NOTED THAT FRENCH EXPORTS WOULD CONTINUE TO GROW - 4 PERCENT IN VOLUME - AND ATTRIBUTED THIS TO PROSPECTING OF EXPORTERS AND EFFORTS OF "ALL OF US" IN GOVERNMENT - HIMSELF (WITH BREZHNEV), PRIME MINISTER CHIRAC (IN IRAN AND IRAQ) AND STATE SECRETARY SEGARD (JUST BACK FROM EGYPT). (HE FAILED TO MENTION INTERIOR MINISTER PONIATOWSKI WHO HAS ALSO DONE HIS SHARE OF TRAVELLING.)

4. STATISTICS. DESPITE A DISCLAIMER AT THE BEGINNING, GISCARD CAME UP WITH QUITE A FEW IN THE COURSE OF HIS ADDRESS. BESIDES FIGURES CITED ABOVE THESE INCLUDED:

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A. PETROLEUM IMPORTS: 16 BILLION FRANCS IN 1973,
48 BILLION IN 1974.

B. 3.045 MILLION AUTOMOBILES WERE PRODUCED IN
1974, DOWN 5 PERCENT FROM 1973. EXPORTS ARE 58 PERCENT
OF PRODUCTION.

C. ORDERS FOR INDUSTRIAL EXPORTS REGISTERED
WITH COFACE (STATE-CONTROLLED EXPORT CREDIT AGENCY)
ROSE FROM 25 BILLION FRANCS IN 1973 TO 61 BILLION IN
1974.

5. POLITICAL ASPECTS. IN HIS SEVENTH TELEVISION APPEAR-
ANCE SINCE BECOMING PRESIDENT AND HIS SECOND "FIRESIDE
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CHAT," A SERENELY OPTIMISTIC GISCARD GAVE A
CONVINCING IF SOMEWHAT CONTRIVED PERFORMANCE WHICH
SKIRTED THE POTENTIALLY EXPLOSIVE PROBLEM OF UNEMPLOY-
MENT. IT WAS REMINISCENT OF HIS TELEVISION "ONE-MAN
SHOWS" AS FINANCE MINISTER, AS GISCARD, REELING OFF
FIGURES AND POINTING TO GRAPHS, ATTEMPTED TO PROJECT
THE IMAGE OF A HIGHLY ORGANIZED PRESIDENT ON TOP OF HIS
JOB, SYSTEMATICALLY TACKLING ONE REFORM AFTER ANOTHER.
GISCARD'S FIRST FIRESIDE CHAT OF 1975 COINCIDED WITH A
NEW IFOP POLL SHOWING THAT 52 PERCENT OF THE PUBLIC
APPROVES OF HIS POLICIES. THIS IS AN INCREASE OF 4
PERCENT OVER LAST MONTH, AND IS WITHIN ONE PERCENTAGE
POINT OF HIS HIGHEST POPULARITY SCORE ACHIEVED LAST
SEPTEMBER. THE ORIGINAL GAME PLAN FOR COOLING OFF THE
ECONOMY ENVISAGED GISCARD'S POPULARITY GOING SOMEWHAT
LOWER BEFORE IT STARTED TO RISE AGAIN. THIS RISE IN
JANUARY APPEARS TO REFLECT A MORE RELAXED OUTLOOK AMONG
FRENCHMEN WHO PROBABLY EXPECTED UNEMPLOYMENT TO BE WORSE
THAN HAS PROVED TO BE THE CASE, AS WELL AS THE BENE-
FICIAL IMPACT OF 90 PERCENT UNEMPLOYMENT INSURANCE FOR A
FULL YEAR. THE CONTINUING AND DEEPENING TENSIONS BE-
TWEEN THE COMMUNIST AND SOCIALIST PARTIES HAVE ALSO
APPARENTLY STARTED TO ALIENATE AN IMPORTANT ELEMENT OF
SWING VOTERS IN THE MIDDLE OF THE POLITICAL SPECTRUM WHO
HAD BEGUN TO FLIRT WITH THE IDEA THAT THE UNITED LEFT
CONSTITUTED A VIABLE ALTERNATIVE TO THE PRESENT
GOVERNMENT.

GISCARD CLEARLY INTENDS IN THESE FIRESIDE CHATS TO EX-
PLAIN THE ECONOMIC SITUATION TO HIS COUNTRYMEN. LEAVING
NOTHING TO IMPROVISATION, AND SUCCESSFULLY AVOIDING A
CONDESCENDING TONE, HE SOUGHT TO GIVE THE IMPRESSION OF
UNDERSTANDING THE PROBLEMS THAT TOUCH THE DAILY LIVES OF

FRENCHMEN. THE TONE AND SIMPLE LANGUAGE OF THE TALK INDICATE THAT AS IN THE PREVIOUS FIRESIDE CHAT ON NOVEMBER 26, GISCARD'S TARGET WAS THE MASS OF THE VOTERS IN THE PROVINCES RATHER THAN THE SOPHISTICATED AND CYNICAL PARISIAN POLITICAL ELITE. BY NOT CITING UNEMPLOYMENT FIGURES, HE AVOIDED OPENING AN ARGUMENT WITH THE LEFT OPPOSITION ABOUT THE VALIDITY OF THE GOVERNMENT'S STATISTICS. HE SHREWDLY PREFERRED TO POINT OUT THE LIMITED OFFICIAL USE

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RELATIONSHIP THAT EXISTS BETWEEN EMPLOYMENT LEVELS AND EXPORT TRADE, AND LEAVE IT TO THE VIEWERS TO CONCLUDE THAT THROUGH ITS SUCCESSFUL EFFORTS TO DEVELOP FOREIGN MARKETS, THE GOF IS ADDRESSING THE UNEMPLOYMENT PROBLEM AS WELL. HE WILL LIKELY CONTINUE HIS POLICY OF AGGRESSIVELY DEMONSTRATING HIS CONCERN FOR THE DAILY REALITIES OF FRENCH LIFE THROUGH PUBLICITY GESTURES SUCH AS DINING JANUARY 22 WITH A FRENCH FAMILY.

WHILE IT IS TRUE, AS GISCARD SAID, THAT FRANCE IS DOING LESS BADLY THAN MOST OTHER NATIONS, FRENCHMEN REMAIN TRUE TO THEIR NATIONAL CHARACTER OF DEMANDING MORE AND MORE FROM THEIR GOVERNMENT WHILE GIVING LESS AND LESS IN RETURN. DESPITE GISCARD'S ROSY OPTIMISM, FRANCE'S ECONOMY IS NOT QUITE GLITTERING WITH THE SAME INTENSITY AS ITS NEWLY APPRECIATED GOLD STOCK.

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